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March 13, 2015

To: Mayor Michael D. Antonovich
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

From: Sachi A. Hamai
Interim Chief Executive Officer

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

MOTION TO SUPPORT FEDERAL LEGISLATION THAT AUTHORIZES AND APPROPRIATES FUNDING OF PAY FOR SUCCESS PROGRAMS WITH HIGH IMPACT AND PERFORMANCE-BASED OUTCOME MEASURES ACCOMPANIED BY FUNDING FOR EVALUATION, TECHNICAL ASSISTANCE AND FEASIBILITY ANALYSES, SUCH AS H.R. 1336 (ITEM NO. 7, AGENDA OF MARCH 17, 2015)

Item No. 7 on the March 17, 2015 Agenda is a motion by Supervisor Ridley-Thomas to support Federal legislation that authorizes and appropriates funding of social impact bond "Pay for Success" programs with high impact and performance-based outcome measures accompanied by funding for evaluation, technical assistance and state/local feasibility analyses, such as H.R. 1336.

Background

"Pay for Success" (PFS) refers to a performance-based contracting/financing approach where government only pays service providers if performance-based outcome measures are achieved. It is an approach that the Obama Administration has pursued since Federal Fiscal Year (FFY) 2012 when it began implementing the PFS model through a number of existing programs. For example, the Department of Labor used the Workforce Innovation Fund to fund two grants to pilot the PFS model in providing employment-related services to reduce recidivism among previously incarcerated individuals. The President's Proposed FFY 2016 Budget requests a combined total of \$364 million for PFS purposes, including \$300 million for a new PFS incentive fund, which would be administered by the Treasury Department.

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Two similar bipartisan PFS bills were introduced in the previous 113th Congress, which ended without any action taken on them. On June 18, 2014, Representative Ted Young (R-IN) introduced the Social Impact Bond Act (H.R. 4885) while, on July 30, 2014, a Senate companion bill, the Pay for Performance Act (S. 2691), was introduced by Senators Michael Bennet (D-CO) and Orrin Hatch (R-UT). "Social impact bond" is a term that the Obama Administration has sometimes used for PFS financing. Both bills would have authorized \$300 million for PFS projects funded through a one-time mandatory appropriation.

Social Impact Partnership Act (H.R. 1336)

On March 4, 2015, Representative Young, together with four Democrat and four Republican cosponsors, introduced a bill which is similar to H.R. 4885 -- the Social Impact Partnership Act (H.R. 1336). Similar to last year's bills, H.R. 1336 would authorize \$300 million for state or local government PFS projects funded through a one-time mandatory appropriation. Under H.R. 1336, to qualify for Federal funding, a project must produce measurable beneficial outcomes in at least one of 21 areas, such as increased employment and earnings, reduced incidence and adverse consequences of child abuse and neglect, reduced number of children in foster care, reduced recidivism among individuals released from prison, and other measurable outcomes defined by a state or local government that result in positive social outcomes and Federal savings.

The bill also authorizes the Office of Management and Budget to spend up to \$2 million a year for technical assistance in the development or support of social impact partnerships and \$10 million to cover half of the cost of state or local feasibility studies. It would allow up to \$45 million to be used to evaluate the implementation and outcomes of projects. Senator Hatch's staff has indicated that Senator Hatch will introduce a similar bill.

County Impact

On November 18, 2014, the Board approved a Pay for Success Blueprint and directed the Chief Executive Office (CEO) to define a recidivism project to apply for State financing from the State Innovation Financing Program, which was established under AB 1837. The Board action also directed the CEO to solicit County departments for potential projects with high impact and performance-based outcome measures. If enacted, H.R. 1336 or similar Federal legislation that authorizes and appropriates funding for PFS programs would provide a Federal revenue source for the County's PFS projects.

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Conclusion

Support of this motion is consistent with the aforementioned Board action to facilitate the development and implementation of Pay for Success initiatives in the County and with the overall principle in the County's Federal Legislative Agenda to support legislation which maximizes Federal revenue for the County.

This office, therefore, recommends approval of the motion to support Federal legislation that authorizes and appropriates funding of social impact bond "Pay for Success" programs with high impact and performance-based outcome measures accompanied by funding for evaluation, technical assistance and state/local feasibility analyses, such as H.R. 1336.

We will continue to keep you advised.

SAH:JJ:MR
MT:ma

c: Executive Office, Board of Supervisors
County Counsel